TOP STOCK PICKS and STRATEGY UPDATE

Risks increased, but market is oversold. Time for a moderate recovery.

- **ISE 100 index fell 18% (29% in $ terms) since we issued our latest strategy update on May 1 2006.** This decline was much sharper than our call for a modest market weakness. The events of recent three weeks will have impacts on the outlook for the year.
- **In particular, the 16% depreciation in TRY since the beginning of May is likely to have important repercussions on the disinflation process.** The pass-through rate from TRY depreciation into inflation is around 15%, which implies c200bp upward revision to year-end inflation targets. It seems that the Central Bank will from now on try to contain inflation below the upper band of 7% it had announced, instead of trying to reach the mid-point of the band, which is 5%.
- **The factors, which created this sharp sell off in the Turkish market, do not seem transitory.** Global inflation fears and the rise in the policy rates of major Central Banks are likely to be in place for quite some time. On the domestic front, Presidential and General election uncertainty will continue to be a top agenda item for many months.
- **Turkey's long term story remains reasonably intact, although the recent turbulence necessitates some revisions in macroeconomic projections.** The Central Bank is not likely to make any rate cuts this year anymore and inflation will most probably be around 8% at the end of year, virtually unchanged from 2005. Growth should not be too much affected and materialise around 5%. Budget performance is likely to be almost unharmed, as a moderate rise in Treasury's borrowing costs are more likely to impact 2007 budget. On the expenditure side, the recent tightening package that was announced following IMF's review of the economic program this week, should help achieve the targeted primary surplus of 6.5%.
- **The issue of early general elections is a bit tricky, as announcement of early elections by the government could ironically be welcome by the markets.** The government categorically refuses the possibility of early elections and emphasises that the general elections will be held on time in autumn 2007. However, the call of early elections for late 2006 or early 2007, as rumoured in the media frequently, could ironically help the market in two ways. First, this would be a strong sign of AKP's confidence in an election victory. Second, it would shorten the period of uncertainty until the elections. **Nevertheless, in our base case scenario we assume that elections will be held on time.**
- **It is yet early to make a healthy judgement on the impact of the market turbulence on full year company earnings, but 1Q figures are continuing to come in strong.** So far 115 non-financial, mostly mid-caps and small caps, and 53 financial stocks, including the large banks, announced their 1Q earnings. Total y-o-y earnings growth is 69%, while the figure for financials and non-financials are 122% and 56%, respectively. 2006E P/E fell from 13.1 at the beginning of the month to 9.4, an attractive level. Of course, our earnings projections do not yet include the possible impacts of the recent turbulence.
- **The question is to what extent Turkish markets have priced in the negatives.** A case can be made for further worsening in both domestic and external factors that currently weigh on the market. **However, we believe that a moderate rebound from current levels is more likely for the next few weeks.**
- **We expect the market to recover modestly, possible to the tune of 10% in USD terms in the coming weeks, however a stronger recovery above 40,000 level for the ISE100 will be difficult.** We continue to think that the market will move in a rather wide band until year end, while stock selection will be more critical for portfolio performance.
- **We are raising the discount rate that we use for valuing stocks by 100bp to account for the increased risk.** We know assume a risk free rate of 9% and an equity risk premium of 5% in our analysis. Our revised index target (ISE100) is TRY 46,000, 7% lower than our previous target of TRY 49,000. We are also increasing our year-end TRY/USD forecast from 1.38 to 1.49. So, our USD index target falls to 30,800 from 35,500, compared to current index level of USD 23,300 (TRY 36,100).
- **Possible M&A news from Denizbank or Akbank can provide some support to market sentiment.**
- **We are adding five stocks to Top Picks.** Tofas, Celebi and Cimsa are the stocks which we believe will be resilient to TRY depreciation. TEB Bank and Turcas are value ideas, which we believe are oversold.

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Current Top Picks

Figure 1 – Top Stock Recommendations

	Price (TRY)	MCAP (US$ mn)	Target (US$ mn)	Upside	Free Float (%)	Avrg. Vol. (US$ mn)	Weight in ISE100	Foreign Holding	Beta wrt ISE100
Anadolu Hayat	4.14	471	880	87%	20	1.56	0.26	45%	1.11
Borusan	9.65	178	310	74%	16	0.39	-	25%	0.72
Celebi	25.25	222	400	80%	17	1.30	0.1	52%	0.62
Cimsa	8.65	683	1,050	54%	26	0.92	0.49	61%	0.85
Dogan Holding	5.10	2440	3,100	27%	34	72.55	2.28	63%	1.35
Eczacibasi Yatirim	4.04	131	210	60%	43	1.78	0.16	19%	0.98
Garanti Bankasi	4.38	5985	9,500	59%	50	51.66	8.23	84%	1.18
Sabanci Holding	4.70	5505	10,500	91%	25	25.63	3.78	78%	1.16
TEB	20.10	756	1,200	59%	20	1.33	0.42	67%	1.02
Tofas	3.60	1171	1,800	54%	24	5.24	0.77	74%	0.99
Trakya Cam	4.85	718	1,200	67%	31	4.09	0.61	67%	0.91
Tupras	23.80	3878	5,500	42%	49	47.38	5.22	80%	0.70
Turcas	4.40	301	425	41%	70	3.88	0.58	12%	0.88

Source: Finansinvest

ANADOLU HAYAT SIGORTA — BUY

ANHYT.IS

Price: TRY4.14/ US$2.70

Anadolu Hayat provides direct exposure to the rapidly growing private pension business. Anadolu Hayat, as Isbank's life insurance and private pension company, not only enjoys Isbank's vast distribution network, but also markets its products via other institution's networks.

The company has two major business lines: In the traditional life insurance business, Anadolu Hayat makes money both via the technical profit and from financial income item. The second line of business, which is the private pension business, is offering very high long term growth prospects. Anadolu Hayat charges annual management fees to the Assets under Management as well as entry fees to the private pension funds it collects. Therefore, the size of accumulated asset under management is of critical importance for profitability of the private pension business.

Low penetration rate in both business lines point to high growth potential. Both insurance and private pension penetration are at minimal levels in Turkey. Total insurance premiums to GDP is 2%, while total AuM in the private pension business is only 0.3% of GDP.

Several catalysts for growth: The demand for life products is expected to increase along with the introduction of the mortgage law in 2006. Increasing mortgage penetrations should also drive demand for life insurance. For the private pension business, the exemption from the 15% capital gains tax, which applies to almost all financial instruments including standard mutual funds, is a comparative advantage.

Anadolu Hayat is gaining market share in a rapidly growing business. For the entire sector, "Funds channelled to investments" reached TRY 1.46 bn, up 38% from TRY 1.06bn at the end of 2005 and TRY 280mn at the end of 2004. The YTD growth implies a CAGR of 170% for 2006. In such an explosive market, Anadolu Hayat's market share rose from 13.8% at the beginning of the year to 14.9% now.

Potential Upside	
Target Market Cap:	US$ 880 mn
Current Market Cap:	US$ 471 mn
Target Upside	86.8%

Price Data	
Mcap Range last 12 mth	$212 - $832 mn
Relative Performance	
3mnth:	-7.3%
12mnth:	66.3%

Trading Data	
Avg. Daily Volume	US$ 1.56 mn
Weight in ISE100	0.26%
Beta (weekly, 3 years)	1.105
Foreign Ownership	
Current	44.54% of free float
1mnth ago	40.99% of free float
3mnth ago	41.18% of free float

Shareholder Structure	
Isbank	62%
Anadolu Sigorta	20%
Free Float	18%

Profit growth should pick up from 2007 onwards. Despite very high growth rates, the private pension business is producing a loss as the business is still in its infancy phase. This situation constitutes a drag on bottomline profitability. According to our rather conservative forecasts, the pension business should become profitable in 2008 the latest.

Key Financials (TRY mn)	2004*	2005	2006E	2007E	2008E	2009E	2010E	2011E
Life Premiums	381	348	406	437	484	534	598	667
Life Technical Income	2.2	20.0	19.7	20.4	21.2	21.7	23.2	25.3
Pension Premiums Collected	25.2	75.4	212.7	422.0	608.1	781.5	956.0	1,134.7
Pension Technical Profit	(13.3)	(14.8)	(10.3)	(1.0)	9.9	27.8	46.2	74.4
Total Premiums/Funds Raised	406	424	619	859	1,093	1,315	1,554	1,801
Total Technical Profit	2.2	5.5	9.6	19.5	31.2	49.7	69.7	99.8
Net Profit	56.0	41.0	40.0	47.2	56.8	70.7	86.9	111.0
growth		*-27%*	*-2%*	*18%*	*20%*	*24%*	*23%*	*28%*
Book Value	181	320	360	407	464	535	622	733
P/E (x)	13.9	19.0	19.5	16.5	13.7	11.0	9.0	7.0
P/BV (x)	4.3	2.4	2.2	1.9	1.7	1.5	1.3	1.1
ROE	31%	13%	11%	12%	12%	13%	14%	15%

*Source: Company data, Finansinvest estimates . * 2004 figures are from Turkish GAAP accounts, while rest of the figures are based on IFRS*

BORUSAN MANNESMANN BUY

BRSAN.IS

Price: TRY9.65 / USD6.3

Borusan Mannesmann (BM) has a solid story worth considering. BM is planning to increase its production capacity by 2008 in high value added products including spiral and pressure pipes. Expected cash flow generation from these new capacities especially after 2008 have not been reflected in the share price yet in our view.

BM announced its plans to double practical capacity in spirally welded pipe from 100k tons to 200k tons at a cost of US$10mn by 1Q07. The aim of this investment is to meet the increasing demand in the region. Note that total of 2.7mn tons demand potential for large diameter steel pipes exist in the medium term in the region including Algeria, Libya, Europe, Iran, Jordan, Turkey, Kuwait, Oman and Syria. BM intends to generate c. US$7mn and c. US$20mn EBITDA from this additional capacity in 2007 and 2008, respectively.

Planning to increase its capacity in pressure pipe production. To benefit from the growth in natural gas market for pressure pipes due to the infrastructure investments in urban parts of Turkey, BM decided to add 48k tons of capacity in pressure pipe segment by 2008 at a total cost of US$17mn. After the completion of this investment, BM expects to generate c. US$40mn of revenues and c. US$10mn of EBITDA p.a.

BM targets to reach 1mn tons sales from production by 2010. In line with this goal, the company has ongoing feasibility studies. Since the company has not reached a firm decision on this issue yet, we do not include it in our model.

Besides core business value, we add US$28mn value for BM from its participations. BM owns 10.2% stake in Borcelik, second biggest flat steel manufacturer in Turkey with annual production capacity of c. 1mn ton. Compared to its listed peer, Erdemir, we valued Borcelik at US$250mn, which should imply c. US$25mn value for BM. Apart from this; there are also other companies in BM's participation portfolio that could create c. US$3mn additional value.

No major negatives due to depreciation of TRY. Despite exports' weight in overall revenues is 35%, since the company's product prices are determined in US Dollar terms we could argue that nearly all of the company's revenues are FX denominated. Among overall costs, FX denominated costs' weight is 80%. Apart from this, the company has only US$2mn of short FX position. In sum, the depreciation of TRY should be positive for BM in case that the company can reflect the change in currency to the domestic prices.

Potential Upside	
Target Market Cap:	US$ 310 mn
Current Market Cap:	US$ 178 mn
Target Upside	74.1%

Price Data		
Mcap Range (Last 12m)		$178 - $311 mn
Relative Performance		
	3mnth:	-11.7%
	12mnth:	-33.8%

Trading Data		
Avg. Daily Volume		US$ .39 mn
Weight in ISE100		-
Beta (weekly, 5 years)		0.718
Foreign Ownership		
	Current	25% of free float
	1mnth ago	25% of free float
	3mnth ago	22% of free float

Shareholder Structure	
BM Pipe Inv. Holding	73.5%
Free Float	16.1%
Lumbro N. J. Ltd.	6.7%
Others	2.6%
SEKA	1.2%

Mature domestic steel pipe market with tighter margin environment and long-term sustainability risk in contractual based spirally welded pipe business would be the problems in the long run for the company. However, note that, in our valuation model, we consider both probable margin decline and possible volume decrease in spiral and pressure pipe segments in the long run.

BM's intention to increase its free-float in 2006 would put pressure on the stock performance in the short run, but in the long run increasing float may create further institutional investor interest.

Key Financials (TRYmn)	2004	2005	2006E	2007E
Revenues	497	578	629	640
EBITDA	64	38	53	63
Net earnings	43	19	27	34
EV/Sales (x)	0.5	0.5	0.4	0.4
EV/EBITDA (x)	4.2	7.1	5.1	4.3
P/E (x)	6.4	14.4	10.1	8.1

Source: Company Data, Finansinvest estimates

CELEBI — BUY

CLEBI.IS

Price: TRY25.3 / USD16.4

Strategy looks promising. The company's strategy is to expand its ground-handling services outside Turkey and the prospects for sustainable cash flow from terminal management. The company plans to be aggressive in the tenders that will be held in several airports in both Turkey and abroad in 2006 and 2007. To be on the conservative side, we do not include these opportunities until the company wins the new tenders.

Expectations in ground-handling services sound attractive. With the positive outlook in the airlines industry and recent agreement with Turkish Airlines, we expect Celebi's volume to show 7% CAGR in 2006 – 2020. In addition, we expect margin improvement, after the contraction in margins in the past 2-3 years, due largely to the irrational pricing environment driven by the competition from Havas, sole competitor in the sector. Now, Celebi plans to adjust its tariffs in the next 2-3 years. Projections regarding the lower growth in personnel cost than revenues should also help improve margins.

Terminal management is the most profitable segment among the operations of Celebi, but has sustainability risk. Celebi and Ictas Construction, as a JV, started to operate Antalya–II Airport, which is a Build-Operate-Transfer project, in April 2005. The JV will enjoy cash flows from this segment until September 2009. To have sustainable flows in this segment, Celebi should win tender(s) that will be held for the airports in Turkey and abroad in the coming period.

Benefits from the depreciation of TRY. Considering the FX composition of Celebi's revenues and costs, we believe that the company is likely to benefit from the depreciation of TRY. According to company guidance, 80-90% of Celebi's consolidated revenues are FX denominated, whereas, FX denominated costs' weight in overall costs is 25-30%. This should mean that the recent weakness in TRY should positively affect the company's EBITDA especially in 2Q06. On the other hand, this probable positive impact would be limited in bottom line considering the company's short FX position of US$37mn.

Recent fire in Istanbul Ataturk Airport Cargo Department should have negligible impact on Celebi. Revenues and EBITDA from cargo segment comprise c. 5% and 3% of consolidated revenues and EBITDA of the company, respectively. With the company guidance, having insurance coverage and alternative place to continue its cargo business, we believe that the recent unexpected development should have negligible impact on the company's operations.

Potential Upside	
Target Market Cap:	US$ 400 mn
Current Market Cap:	US$ 222 mn
Target Upside	80.3%

Price Data		
Mcap Range (Last 12m)		$78 - $395 mn
Relative Performance		
	3mnth:	-8.6%
	12mnth:	119.0%

Trading Data		
Avg. Daily Volume		US$ 1.30 mn
Weight in ISE100		0.10%
Beta (weekly, 3 years)		0.622
Foreign Ownership		
	Current	52% of free float
	1mnth ago	53% of free float
	3mnth ago	41% of free float

Shareholder Structure	
Celebi Holding	52.4%
Celebioglu Family	24.9%
Free Float	22.7%

Our recommendation is a BUY for Celebi, which is the leading ground-handling service provider in Turkey. Our fair value estimate, which is largely based on not only volume growth and margin improvement in ground-handling services but also cash flow generation from terminal management operations until Sep-09, suggests significant upside potential.

There are also risks to consider. 1) Sensitivity in our valuation model. Lower than expected growth in both volume and margin should lead us to revise our valuation downwards. 2) Although it is difficult to see new entrant in the sector, it is not impossible. 3) Tourist arrivals look weak in 2006 so far, which is included in our model. 4) World is not safe. Airlines industry is very sensitive to the news regarding the war and terrorist attacks, and Celebi is no exception.

Key Financials (TRYmn)	2004	2005	2006E	2007E
Revenues	119	215	224	252
Adjusted revenues	119	191	224	252
EBITDA	12	57	64	72
Net earnings	1	31	35	41
EV/Sales (x)	3.3	2.0	1.7	1.6
EV/EBITDA (x)	32.6	6.9	6.1	5.4
P/E (x)	341.0	11.0	9.7	8.3

*Source: Celebi's financials and FinansInvest estimates. * 2004 figures are only representing Celebi ground-handling services. 2005 figures reflect consolidated results of Celebi including Celebi Security and Celebi – IC Antalya. Moreover, we could only see nine months of Celebi – IC Antalya's operations in 2005 financials. ** In 2005, Celebi recorded TRY24mn of revenues more under its financials as revenues and cost of sales that was given to General Directorate of State Airports. This has nothing to do with EBIT figures. Considering this, we compute that consolidated revenues and cost of sales should be TRY191mn and TRY136mn rather than TRY215mn and TRY160mn in 2005, respectively. *** ROIC = (EBIT after tax) / (Tangible assets + Intangible assets + Working Capital Requirement)*

CIMSA — BUY

CIMSA.IS

Price: TRY8.65 / USD5.65

- **Cimsa is the only white cement producer in the country.** The company's high-valued added products such as white and calcium aluminate cement and its cost-cutting activities triggered their operational profits. The company has 31% of total cement production capacity in the region and 4% of total cement production capacity in Turkey.

- The company added capacity through completing the Kayseri investment and the Eskisehir plant acquisition. **The company increased its clinker capacity from 1.2mn tons/year to 2.3mn tons/year, while cement capacity increased from 3.4mn tons/year to 4.6mn tons/year** with these new investment and acquisitions.

- **Operating margins to increase.** Company management announced that Cimsa is going to shift its exports from developed countries to Iraq, where the cement prices have almost doubled relative to domestic prices. We believe that, the company would increase its margins with the exporting to Iraq. Note, the management's target is to increase the company's EBITDA margin level to 40%.

- We also think that the general elections (possible to be held in Fall 2007) could create extra demand in the form of infrastructure investments, which historically had been increased prior to election periods.

- Based on these circumstances, we increased our revenues, EBITDA and net income forecast by 31%, 24% and 18% y-o-y respectively, in 2006.

- **Based on the EV to clinker capacity valuation**, Cimsa trades at a 15% discount to the sector average, whereas, it is historically trading c. 9% premium due to its high turnover and the company's well-established position.

- **Upgrading recommendation from HOLD to BUY.** We have used EV/Clinker Capacity, EV/EBITDA multiple comparison and DCF analysis valuation to reach our target valuation of US$1,050mn, implying a 54% upside potential.

Potential Upside	
Target Market Cap:	US$ 1,050 mn
Current Market Cap:	US$ 683 mn
Target Upside	53.8%

Price Data	
Mcap Range (Last 12m)	$433 - $1072 mn
Relative Performance	
3mnth:	5.7%
12mnth:	21.5%

Trading Data	
Avg. Daily Volume	US$ .92 mn
Weight in ISE100	0.49%
Beta (weekly, 3 years)	0.850
Foreign Ownership	
Current	61% of free float
1mnth ago	61% of free float
3mnth ago	60% of free float

Shareholder Structure	
Sabanci Holding	44%
Adana Cimento	16%
Akcansa	10%
Free Float	27%

Key Financials (TRYmn)	2004	2005	2006E	2007E
Net Sales	295	358	474	514
EBITDA	108	150	188	204
Net Income	65	110	131	141
P/E	14.1	8.4	7.1	6.8
EV/EBITDA	10.1	7.3	5.9	5.6
EV/Sales	3.7	3.0	2.3	2.2

Source: Company Data, Finansinvest estimates

DOGAN HOLDING — BUY

DOHOL.IS

Price: TRY5.10 / USD3.32

- One of the five largest conglomerates in Turkey with a consolidated turnover of more than US$7.3bn, Dogan Holding (DH) is **one of the best GDP plays with a stock beta of above 1.3,** offering a perfect leverage to a rebound in the market. DH has an aggressive management style with extensive deal-making capability, while its activities are **diversified into high growth areas as well as defensive industries,** offering a natural hedge.

- **DH's entire core businesses have been performing well since 2003,** thanks to lower interest rates, a stronger TRL and economic recovery, which have facilitated the repayment of debt while stronger operations improve interest coverage ratios. DH may be vulnerable to a weaker TRY and an economic slowdown, yet the current NAV discount level is not justified either.

- **DH offers exposure to Turkey's largest media franchise at a discount to NAV.** Dogan Yayin Holding (DYH), DH's media arm, is the dominant player in Turkey's highly promising advertising market with 39% market share, which it targets increasing further along with the recent Star TV acquisition in the broadcasting segment. DH trades at a significant discount (37%) to its NAV as opposed to DYH, however, which trades at a premium of nearly 40%.

- **Strong foothold in the energy sector.** DH has recently sold 34% of Petrol Ofisi (PO) to Austrian refiner OMV for US$1,054mn, which can be compared with its US$616mn payment to acquire 44.1% of PO shares from Isbank. DH and OMV will jointly control the company's business activities, with both companies operating as equal partners. We believe that OMV, with its sectoral know-how and strength, will create additional value for PO in the long run. PO targets becoming a major regional energy distribution concern. The Company also targets construction of a new refinery in Southern Turkey with a production capacity of 10mn tons/year thru US$2.0bn capex in 5 years.

Potential Upside	
Target Market Cap:	US$ 3,100 mn
Current Market Cap:	US$ 2,440 mn
Target Upside	27.0%

Price Data	
Mcap Range – 12 Month	$1612 - $4177 mn
Relative Performance	
3mnth:	-4.0%
12mnth:	11.5%

Trading Data	
Avg. Daily Volume	US$ 72.55 mn
Weight in ISE100	2.28%
Beta (weekly, 3 years)	1.348
Foreign Ownership	
Current	63% of free float
1mo. ago	64% of free float
3mo. ago	66% of free float

Shareholder Structure	
Dogan Group	65.52%
Free Float	34.29%
Aydin Dogan Foundation	0.19%

- **Interest in new projects.** DH also targets new businesses with significant cash generation capacity and profitability potential, which enhance or create synergy with existing businesses entailing proximity to the consumer (e.g. National Lottery, electricity distribution tenders, cable TV services, on top of DYH's own targets in media). We applaud DH's potential to create value with a stronger balance sheet following the liquidation of excessive PO shares.

- **Trades at 37% discount to market NAV.** DH has traded at a minimum NAV discount of 7% (and an average NAV discount of 20%) over the past two years. **Note that the Company has not traded at such a deep discount level to its NAV since November '03. After a downward revision, we assign a rather conservative target m-cap of US$3.1bn to Dogan Holding, offering 27% upside and still leaving the historical average 20% discount to NAV.**

- **Trades at an attractive level relative to DYH benchmark.** The average premium of DH's market cap to that of its media arm DYH has been 24% since the beginning of last year, but **narrowed down to a mere 1.5% currently**. We believe that DH's energy business and other net assets are worth significantly more than the minority interest in DYH, and deem a 25% premium to DYH's m-cap justified in setting a price objective for DH, which yields a fair value also in line with our target m-cap of US$3.1bn. **We accordingly maintain our relative trade idea favouring DH vis-à-vis DYH.**

Key Financials (TRY mn)	2004	2005	2006F	2007F
Revenues	6,520	9,804	9,770	10,345
EBITDA	575	531	675	744
Net earnings*	263	636	1,102	372
P/Sales (x)	0.21	0.47	0.38	0.36
P/E (x)	6.9	7.2	3.4	10.1

Source: Company Data, FinansInvest forecasts (2006F earnings inflated by one-off gains to be recorded from sale of Petrol Ofisi shares to OMV).

Exhibit 1: Dogan Holding - Sum-of-the-parts Valuation

24/05/2006

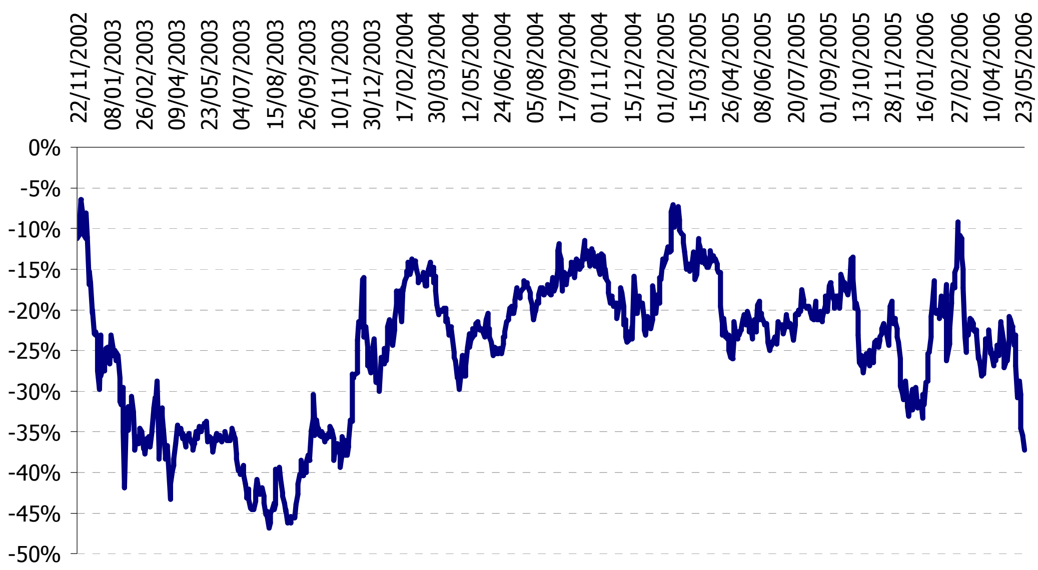
DOGAN HOLDING - SUM-OF-THE-PARTS VALUATION

Ticker: DOHOL.IS

			CURRENT (MARKET) NAV			
US$mn	**Business Line**	**Dogan's Direct Stake**	**Valuation Basis**	**Market Value**	**Value of Dogan's Stake**	**Share in Total**
Dogan Yayin Holding	Media	63%	Current Market Value	2404	1515	55%
Petrol Ofisi	Energy	53%	Current Market Value	1942	1024	37%
Milpa	Trade	65%	Current Market Value	61	39	1%
Ray Sigorta	Finance	78%	Current Market Value	48	38	1%
Ditas	Industry	51%	Current Market Value	31	16	1%
Celik Halat	Industry	52%	Current Market Value	22	12	0%
Milta	Tourism	95%	Transfer Value	28	27	1%
Others	Various		TR-GAAP Book Value	66	66	2%
Total Value From Participations					**2,737**	**100%**
(+) Other Net Assets (Including Cash)					1,154	
Total NAV					**3,891**	
Current MCap					**2,440**	
Premium / (Discount) to NAV					**-37%**	

Source: FinansInvest Research

Exhibit 2: Dogan Holding - Historical Discount of Market Value to NAV



Source: FinansInvest Research

ECZACIBASI YATIRIM HOLDING BUY

ECZYT.IS

Price: TRY4.04 / USD2.63

- **Eczacibasi Yatirim Holding Ortakligi A.S.** (EYH, ECZYT.IS) is an investment holding company that mainly participates in trade and industrial concerns. The company has 18 participations, 17 of which are Eczacibasi Group companies.
- EYH is a **pure NAV play** as its market value stands at a **59% discount to its sum-of-the-parts valuation of US$321mn**, which is a highly attractive level both in a historical context and vis-à-vis other NAV plays at the ISE.
- **Eczacibasi is a prominent Turkish industrial group with 2005 combined net turnover of US$2.6bn and 36 companies.** The Group's core business activities are pharmaceuticals (34%), building materials (27%), consumer products (18%), and others (21%), including finance, IT, and welding technology, with respective shares in combined revenues in parentheses. While principally a domestic supplier dominating large segments of its sector markets, the group's exports have also steadily increased over the past years, reaching 17% of combined revenues in 2005.
- **In view of historical patterns and company-specific matters, we set a target P/NAV multiple of 0.65x (i.e. 35% NAV discount) for EYH, which still offers a very attractive upside of 60% in share price.** While the level of such NAV discount may still appear unwarrantedly high for some, it implies a valuation yielding the level of average premium of EYH's market value to its stake in listed participations over the past five years.
- **EYH's target price may further be augmented** in case the market value of its major participation, **Eczacibasi Ilac**, edges higher, or else, other catalysts fuel further optimism to the shares (e.g. the potential IPO of parent company, **Eczacibasi Holding**).

Potential Upside	
Target Market Cap:	US$ 210 mn
Current Market Cap:	US$ 131 mn
Target Upside	59.8%

Price Data		
Mcap Range – 12 Month		$75 - $217 mn
Relative Performance		
	3mnth:	-6.1%
	12mnth:	30.1%

Trading Data		
Avg. Daily Volume		US$ 1.78 mn
Weight in ISE100		0.16%
Beta (weekly, 3 years)		0.984
Foreign Ownership		
	Current	19% of free float
	1mo. ago	18% of free float
	3mo. ago	20% of free float

Shareholder Structure	
Eczacibasi Holding	56.56%
Free Float	43.44%

- **It should also be noted that our NAV estimate for EYH is already a fairly conservative one**, as we apply a rather generous (25%) liquidity/marketability discount to the fair values of unlisted participations. As such, a higher upside potential than our baseline scenario should not be viewed as unattainable.
- **EYH has US$62mn of net cash.** The Company has a prudent approach of maintaining a highly-liquid balance sheet comprising predominantly government debt instruments, repurchase contracts and bank deposits. The Company maintains a 1/3 FX vs. 2/3 TRY liquid asset balance.
- **The Company has paid out cash dividends in 2003 and 2005 corresponding to dividend yields of 6.6% and 1.4%,** respectively, at the time of distribution. It did not payout dividends in 2004 (out of 2003 earnings) due to offsetting accumulated losses in the first-time prepared consolidated accounts as per CMB's requirement to adopt inflation-adjustment and consolidation in financial reporting starting in FY03. **EYH will distribute TRY2.5mn (US$1.9mn) of its 2005 distributable net profit as cash dividends as of May 31**, **corresponding to 1.2% dividend yield**. EYH will also add TRY5.0mn of the distributable net profit to its capital via a 10% bonus issue, which will be completed by May 31.

Key Financials (TRY mn)	2004	2005	2006F	2007F
Revenues	2,631	2,477	2,819	3,243
EBITDA	0.0	1.4	2.2	3.1
Net earnings	11.7	17.4	19.8	24.3
EV/Sales (x)	n.m.	n.m.	n.m.	n.m.
EV/EBITDA (x)	n.m.	n.m.	n.m.	n.m.
P/E (x)	7.7	13.9	10.2	8.3

Source: Company Data, FinansInvest forecasts

GARANTI — BUY

GARAN.IS

Price: TRY4.38 / USD2.85

Following a fruitful shift in the asset mix in the underlying period, loan to asset ratio is now as high as 50%, against only 31% in 2003, and Garanti has managed to grow aggressively in all areas of consumer lending (house, auto, general purpose loans and credit card loans). The bank managed to increase its loan book by 50% in 2005, more than half of which has come from the loans extended to the retail segment.

As part of the agreement between Dogus Group and the GECF, Dogus Group took over TRY958mn worth of non-core assets (TRY520mn of which was paid in advance) that will contribute to the lending growth, and boost free equity. Moreover, wider branch network and the expected shift in investor preferences towards deposits from marketable securities, as withholding tax on these instruments are being now equal, should sustain a significant balance sheet growth going forward. Thanks to the successful retail banking strategies, we estimate that the bank's customer deposits will increase by 25% and 19% in 2006 and 2007, respectively.

Liquidity created via asset disposals should give a boost to the loan book. We forecast that the loan book of Garanti will increase by 49% and 35% in 2006 and 2007, and is driven primarily by SME and mortgage loans. On the other hand, the asset quality of the bank is expected to strengthen further, reducing the burden of provisions on the bottom line profitability.

Ease in deposit pricing policies and the structure of the bank's loan mix should limit the slippage in NIM, when compared YoY. On the other hand, fee revenue growth (highest net fee income to asset ratio among the peer group) should remain strong, thanks to the growing share of retail in the overall loan mix. We forecast Garanti to post an ROE of 22.5% in 2006 and 22.4% in 2007, which corresponds to an EPS growth of 35% in 2006 and 14% in 2007.

Garanti has strong presence in retail banking, strong franchise and technological infrastructure, and now established an alliance with the GECF. We believe that GEFC is a good non-controlling partner for Garanti with a decent track record in consumer finance in emerging countries. The partnership is expected to strengthen Garanti's position in retail banking, allow the bank to access to cheaper funding sources and exploit inorganic growth opportunities in the local market and in the Middle East /CIS region. Garanti shares are trading at 2007 PER (adj.) of 8.76x and PBV (adj.) of 1.97x, against the sector average of 13.42x and 2.22x, respectively. We maintain our BUY rating on Garanti.

Potential Upside	
Target Market Cap:	US$ 9,500 mn
Current Market Cap:	US$ 5,985 mn
Target Upside	58.7%

Price Data		
Mcap Range-12 Mth		$4041 - $10046 mn
Relative Performance		
	3mnth:	0.1%
	12mnth:	11.0%

Trading Data		
Avg. Daily Volume		US$ 51.66 mn
Weight in ISE100		8.23%
Beta (weekly, 3 years)		1.179
Foreign Ownership		
	Current	83.93% of free float
	1mnth ago	84.46% of free float
	3mnth ago	84.05% of free float

Shareholder Structure	
Dogus Group	27.5%
GE	25.5%
Free Float	47.0%

Key Financials (TRY 000)	2004	2005	2006e	2007e
Net customer Loans	10,501,376	16,937,195	25,155,826	33,960,365
Customer Deposits	16,970,320	23,006,221	28,793,837	34,405,438
Total Assets	**26,267,917**	**36,468,239**	**45,389,690**	**53,633,105**
Net interest income	1,287,787	1,674,660	1,688,488	1,852,169
Total Income	2,080,205	2,590,459	2,801,103	3,161,908
Total Operating Expenses	1,084,484	1,352,401	1,437,456	1,571,961
Net income	**450,549**	**708,394**	**958,019**	**1,091,014**
ROAE – Unconsolidated	16.0%	20.0%	22.5%	22.4%
PER (x) – Adj. Uncons.	24.37	13.50	9.98	8.76
PBV (x) – Adj. Uncons.	3.21	2.61	2.19	1.97

Source: Company Data, FinansInvest estimates

SABANCI HOLDING — BUY

SAHOL.IS

Price: TRY4.70 / USD3.06

- **Sabanci shares offer the highest upside potential among big Turkish holdings stocks.** The shares are trading at 28% discount to NAV and the current value represents a 91% upside to our target market capitalisation of US$10bn as the shares fell faster than the index in the recent sell-off. We believe investors' increasing appetite for Sabanci shares last year following Koc's expensive bid for Tupras is likely to persist in the foreseeable future or until Koc's discount to NAV widens enough to charm investors again.

- **We believe the performance of the finance division,** the main driver of the portfolio performance and value, **will remain strong in the foreseeable future**. Akbank, having the highest ROE, is again expected to post the highest net profit in the sector in both 2006 and 2007. Also, ithe bank is making good progress towards becoming more retail oriented under the new macroeconomic environment.

- **Furthermore, Akbank has mandated an investment bank to search for possible partnership, acquisition and strategic alliance opportunities in the banking sector,** which could make the bank an acquisition play. This could keep investors' appetite for Akbank shares dynamic and Sabanci shares are likely to benefit from such a development.

- **The upcoming electricity distribution tenders in late 2006 are another area of interest where Sabanci underlines its willingness.** As the tender day approaches, we may witness additional investor sentiment on Sabanci shares.

- **Among non-finance divisions, automotive and tire, cement and retailing divisions have enjoyed strength in consumer spending; margins improved and are expected to remain this way in the coming years.** Hence, these non-finance segments should add more value to Sabanci under a more stable macroeconomic environment. Also, the acquisition of Gima solidified the holding's position in the domestic retail sector. In contrast, chemicals, food and beverage divisions are still coping with operating losses; a corporate action is needed. In this respect, we welcome the news that Sabanci is in talks with some interested parties to sell some of Advansa's assets.

Potential Upside

Target Market Cap:	US$ 10,500 mn
Current Market Cap:	US$ 5,505 mn
Target Upside	90.7%

Price Data

Mcap Range last 12 mth		$4006 - $9893 mn
Relative Performance		
	3mnth:	-8.8%
	12mnth:	3.4%

Trading Data

Avg. Daily Volume		$25.4mn
Weight in ISE100		3.78%
Beta (weekly, 3 year)		1.160
Foreign Ownership		
	Current	78% of free float
	1mnth ago	81% of free float
	3mnth ago	81% of free float

Shareholder Structure

Sabanci Family	74.70%
Free Float	25.30%

Key Financials (TRY mn)	2004	2005	2006F	2007F
Revenues	11,548	14,224	15,910	18,025
EBITDA	2,860	2,845	3,340	3,785
Net earnings	724	690	895	1,010
P/Sales (x)	0.7	0.6	0.5	0.5
P/EBITDA (x)	2.8	2.9	2.4	2.1
P/E (x)	11.2	11.8	9.1	8.1

Source: Sabanci Holding, FinansInvest estimates

TEB BUY

TEBNK.IS

Price: TRY20.10 / USD13.08

- **BNPP sees Turkish market among the countries in the Middle East/Maghrep region that has strong growth potential supported by low but growing banking penetration.** In parallel to the BNPP's strategy, TEB is now investing in its branch network, expanding its asset size, strengthening its retail/SME lending presence and increasing revenues through cross selling.

- **Starting from 2006, TEB is implementing aggressive strategies in SME/retail banking, through new product offerings.** We perceive 2006-07 period as the phase of transformation for TEB, which aims at accelerating growth, controlling risks and increasing revenues. Branch openings would continue to be a feature of TEB's expansion. It should be noted that the bank targets to activate further 29 branches until the end of June, focused mainly on retail and SMEs, and aims to extend the branch network to 150 by the end of 2006.

- **TEB has excess liquidity and a relatively large level of free capital to finance the aggressive growth in its loan book without competing for to collect lira deposits at least in the first couple of years.** TEB has the highest lira loan to deposit ratio among the banks in our coverage with 137%. It is evident, however, that the bank is no immediate need for additional lira deposits and can therefore keep its deposit costs relatively low.

- **A policy shift towards higher yielding assets should help TEB shield its margins from contracting in a falling inflation environment.** On the other hand, stronger presence of SME/retail lending should give a boost to fee income going forward. Operating expenses will be another key component of the profitability for TEB, as branch openings will be the feature of the bank's expansion strategy. We foresee operating expense growth of 23% (CAGR) in the 2006-08 period, which would imply hefty investments mainly in 2006, and slowing towards 2007. It is also expected that problem loans would rise gradually, due to aggressive lending polices. Overall, we expect the bank to post a ROE of 30% in 2006 and 33% in 2007, against 18% in 2005.

- **In contrast to its former banking perception of staying at the defensive edge of the business, TEB has started to reshuffle its asset mix towards high-yielding retail/SME segments through new product offerings and towards securities, boosting bottom line profitability.** We expect BNPP to implement an aggressive organic growth plan for TEB going forward, which will secure a growth platform on retail/SME segments and will provide scope for cross selling products from other banking divisions. TEB shares are trading at 2007 PER (adj.) of 7.11x and PBV (adj.) of 2.10x, against the sector average of 13.42x and 2.22x, respectively. We maintain our BUY rating on TEB.

Potential Upside	
Target Market Cap:	US$ 1,200 mn
Current Market Cap:	US$ 756 mn
Target Upside	58.7%

Price Data		
Mcap Range since IPO		$317 - $1319 mn
Relative Performance		
	3mnth:	-11.1%
	12mnth:	80.2%

Trading Data		
Avg. Daily Volume		US$ 1.33 mn
Weight in ISE100		0.42%
Beta (weekly, 3 years)		1.022
Foreign Ownership		
	Current	67% of free float
	1mnth ago	66% of free float
	3mnth ago	67% of free float

Shareholder Structure	
TEB Financial Services	84.25%
Other	0.58%
Free Float	15.17%

Key Financials (TRY 000) – Bank-only	2004	2005	2006e	2007e
Net customer Loans	1,584,721	2,938,644	4,090,540	5,522,228
Customer Deposits	2,164,372	3,140,794	3,819,357	4,602,296
Total Assets	**3,565,596**	**5,421,866**	**6,441,599**	**7,575,985**
Net interest income	**181,011**	**219,348**	**295,640**	**346,808**
Total Income	249,014	80,285	157,668	246,351
Total Operating Expenses	249,014	80,285	157,668	246,351
Net income	**33,800**	**78,717**	**145,719**	**182,589**
ROAE – Bank-only	9.4%	26.4%	20.5%	20.1%
PER (x) – Adjusted	45.31	16.99	8.88	7.11
PBV (x) – Adjusted	3.13	2.62	2.35	2.10

Source: Company Data, FinansInvest estimates

TOFAS — BUY

TOASO.IS

Price: TRY3.60 / USD2.34

In the recent market volatility, contrary to many blue-chip companies, Tofas shares presented a parallel move to the Istanbul Stock Exchange. We believe there are two main reasons for such a performance. First, **Tofas' story does not depend on its short-term performance and hence macroeconomic environment but big projects**; the Minicargo and D-200, namely. Second, **assuming that TRY is likely to stabilise at a higher level in the coming periods and will depreciate further at a rate close to inflation, Tofas, getting a stronger export orientation, should benefit from weaker Turkish Lira**.

Following the recent sell-off, Tofas shares are now trading at US$1.2bn, suggesting a 54% upside compared to our target market capitalisation of US$1.8bn. We believe the current price level provides long-term investors with another opportunity to get exposure to Tofas. Furthermore, our projections suggest that the market capitalisation of Tofas should see around US$2.5bn in 2008, 127% higher than the current level, representing a 50% return per annum.

The Minicargo model is expected to be rolled out in late 2007. According to the agreement, Tofas will jointly develop and produce the Minicargo model with Fiat and PSA Peugeot Citroen. The project will significantly alter the scale of Tofas' business. Total annual production will be around 165k (recently revised up from an initial figure of 130k) and mostly for export markets while PSA Peugeot Citroen will be the main client for the vehicle.

As a result, Export revenue is estimated to reach nearly 70% of total revenue, significantly higher than 40% based on 2006 estimates. **Clearly, Tofas will get more export orientation with Minicargo**.

Moreover, the risk of the project is pretty limited for Tofas as it is a take or pay agreement, which makes Tofas' revenue stream partly immune to the macroeconomic fluctuations. PSA Peugeot Citroen and Fiat guarantee to purchase Minicargo models for 8 years. Additionally, PSA Peugeot Citroen is a new client for Tofas, limiting the risk of being dependent on just Fiat's performance in Europe. Furthermore, cost-plus aspect of the agreement and Tofas' involvement in financing package should grant higher margins for the company. Tofas' holding of the production license is another plus

Besides, Tofas has already started investments to produce a new passenger car model (the D-200 project) in late 2007. The project is called D-200 and annual production is scheduled to be 60,000 but no brand name has been released yet. The new passenger car will mostly target the domestic market while one third of the production will be exported.

We believe that these new projects should finally put an end to Tofas' chronic suffering from low capacity utilisation rates. Tofas' production capacity will reach above 300,000 per annum in 2008 and 100% utilisation rate is almost granted. We forecast revenue to reach US$4bn in 2008 and EBITDA to US$420mn. On 2008 estimates, EV/EBITDA is just 2.5(x) while P/E is 4.5 (x), underlying the upside potential in the shares in the coming two years.

Potential Upside	
Target Market Cap:	US$ 1,800 mn
Current Market Cap:	US$ 1,171 mn
Target Upside	53.7%

Price Data		
Mcap Range (Last 12m)		$594 - $1801 mn
Relative Performance		
	3mnth:	6.2%
	12mnth:	46.6%

Trading Data		
Avg. Daily Volume		US$ 5.24 mn
Weight in ISE100		0.77%
Beta (weekly, 3 years)		0.987
Foreign Ownership		
	Current	74% of free float
	1mnth ago	74% of free float
	3mnth ago	72% of free float

Shareholder Structure	
FIAT Auto S.p.A	37.86%
Koc Holding A.S.	37.59%
Koc Group and family	0.27%
Free Float	24.28%

Key Financials (TRYmn)	2005	2006F	2007F	2008F
Revenues	2,599	2,806	3,715	5,955
EBITDA	195	233	320	603
Net earnings	142	113	168	427
EV/EBITDA (x)	7.4	6.2	4.5	2.4
EV/Sales (x)	0.55	0.51	0.39	0.24
P/E (x)	12.7	15.9	10.7	4.2

Source: Company Data, Finansinvest estimates

TRAKYA CAM — BUY

TRKCM.IS

Price: TRY4.85 / USD3.16

Turkey's leading flat glass producer. Trakya Cam is the largest flat glass producer in Turkey with a market share of c.75%. We believe that, robust in Turkish housing sector will be the main demand driver for the company and with the positive impact of the introducing of mortgage system should keep the company's flat glass demand alive in the coming years. In addition, global automotive industry suggests a significant growth potential for the company.

Quotas have been implemented on flat glass imports from China. The Undersecretary of Foreign Trade has imposed quota restriction on flat glass imports from China for a period of three years including 2006. (Note that, imports from China had put downward pressure on domestic prices.) Total quota stands at 20,000 tons for the first year and then gradually increases. *We believe that introduction of new quota system will alleviate the pressure on domestic flat glass prices.*

New investments coming soon. Currently the company operates five float lines with a total capacity of 1,055k tons/year. Trakya Cam announced its decision to establish a new float line in Bursa with an annual production capacity of 225K tons, to be completed by Nov'07. Upon completion of the project, the Company will have six float lines with a total capacity of 1,275K tons in the domestic market. Including the Company's recently completed float line in Bulgaria, Trakya Cam's consolidated float capacity will increase to 1,500K tons by YE07.

15% of total COGS are FX oriented while 25% of total revenues are generated from exports. Therefore we believe that there depreciation of TRY would increase the revenues.

The company delivered a poor financial performance in 2005. Despite strong demand in the domestic market, revenue grew a mere 4% while EBITDA remained at a year earlier level due to the lower margins. Clearly, price pressure from imports from China has played a critical role in depressed flat glass prices. However, we believe that Trakya Cam had one of the worst financial years in 2005 and we expect the company to perform much better in the coming years with increasing capacity, and better pricing environment.

Potential Upside	
Target Market Cap:	US$ 1,200 mn
Current Market Cap:	US$ 718 mn
Target Upside	67.1%

Price Data		
Mcap Range 12 mth		$687 - $1113 mn
Relative Performance		
	3mnth:	15.0%
	12mnth:	-12.3%

Trading Data		
Avrg Daily Volume		US$ 4.09 mn
Weight in ISE100		0.61%
Beta (weekly, 3 year)		0.905
Foreign Ownership		
	Current	67% of free float
	1mnth ago	68 %of free float
	3mnth ago	60% of free float

Shareholder Structure	
Sisecam	60.80%
Cam Pazarlama	5.90%
Free Float	31%

Key Financials (TRY mn)	2004	2005	2006E	2007E	2008E
Net Sales	562	585	659	764	944
EBITDA	184	190	201	253	323
Net Income	103	83	99	131	182
P/E	9.3	11.6	9.8	7.7	5.7
EV/EBITDA	3.1	3.0	2.8	2.3	1.9
EV/Sales	1.0	1.0	0.9	0.8	0.6

Source: Based on IFRS Financial Statements; FinansInvest forecasts

TUPRAS

BUY

TUPRS.IS

Price: TRY23.80 / USD15.5

Operating performance is likely to remain strong in 2006. Following a year with strong refining margins in 2005, with the expectations regarding lower refining capacity additions compared to the incremental demand in the global oil industry and high level of crude oil prices, refining margins would continue to be strong in this year, which would be positive for the stock.

Cash dividends from 2005 earnings would keep the demand for the stock alive. Tupras decided to distribute TRY1.75 net cash dividend per share as of May 31, 2006. This implies 7% dividend yield.

Management in the post privatisation period should create cost efficiencies. Note that compared to current market price, Koc-Shell Consortium (KSC) paid c. 110% more for Tupras. This should imply that new management should find ways to make its investment economical and create additional value for Tupras.

In the short run, no more fear for the probable merger between Tupras and the SPV, established by KSC to acquire 51% of Tupras. Debt-to-capitalisation ratio of the SPV will be c. 40%. This should imply that cash dividends from Tupras would be sufficient to service the loan. Hence, a merger between the SPV and Tupras seems unlikely in the near term with the assumption of no significant decline in crude prices.

Expected news from the Council of State. The Council of State Court No. 13 reviewed the merits of the case filed for the cancellation of the block sale of 51% of Tupras to Koc-Shell Consortium and rejected the cancellation request of Petrol-Is Labor Union. This is positive for Tupras. Now, Petrol-Is Labor Union will most probably apply to the upper court, which implies that the legal process will continue.

Volatility in currency would not be for the benefit of Tupras. Petroleum product prices are determined weekly. This means in case of change in currency the ex-refinery price is adjusted within a week. Therefore, there is a lag in price adjustment. On the other hand, considering that most of the costs are derived from the cost of the petroleum products, which are FX denominated, there is almost natural hedge in operating terms for Tupras. However, based on the short FX position of US$847m, the depreciation of TRY would hurt the bottom line of the company.

Petrol Ofisi announced to construct a refinery in Turkey. Petrol Ofisi decided to construct a refinery with having at least 5mn tons of refining capacity p.a. This is a negative issue for Tupras, but in the long run. We also believe that the probable negative impact would be limited considering the location, product mix and capacity of the new refinery.

Our recommendation is a BUY for the stock. Not only because of strong operating performance expectation and considerable dividend yield potential but also due to its defensive nature, our recommendation is a BUY for Tupras.

Potential Upside	
Target Market Cap:	US$ 5,500 mn
Current Market Cap:	US$ 3,878 mn
Target Upside	41.8%

Price Data	
Mcap Range (Last 12m)	$2909 - $5776 mn
Relative Performance	
3mnth:	19.2%
12mnth:	-0.5%

Trading Data	
Avg. Daily Volume	US$ 47.38 mn
Weight in ISE100	5.22%
Beta (weekly, 3 years)	0.7
Foreign Ownership	
Current	80% of free float
1mnth ago	81% of free float
3mnth ago	81% of free float

Shareholder Structure	
Koc-Shell Partnership	51%
Free Float	49%

Key Financials (TRYmn)	2004	2005	2006E	2007E
Revenues	11,487	14,845	15,280	14,774
EBITDA	1,026	1,073	1,095	1,193
Net earnings	606	658	650	734
EV/Sales (x)	0.5	0.4	0.4	0.4
EV/EBITDA (x)	5.3	5.1	5.0	4.6
P/E (x)	9.8	9.1	9.2	8.1

Source: Company Data, Finansinvest estimates

TURCAS BUY

TRCAS.IS

Price: TRY4.40 / USD2.9

Enough underperformance against ISE-100 in the recent sell-off. During the sell-off in the market in the past month, Turcas shares underperformed the ISE-100 index by c. 10%. Moreover, considering the increase in peer group multiples derived from the acquisition of 34% of Petrol Ofisi by OMV from Dogan Holding at US$1,054mn and the ongoing strong operating environment in fuel-marketing industry in 2006, we believe that Turcas should deserve trading at a higher mcap.

New era for Turcas with Shell in fuel-marketing operations. Turcas and Shell will form a JV, in which they will have 30% and 70% stakes, respectively. Both parties will transfer their assets related with this transaction to the JV. Both parties obtained the approvals from the Court and the Competition Board. Now, they are waiting for the approval from the Capital Markets Board. The JV will be the second biggest player in the sector coming after Petrol Ofisi. Currently, Shell has the highest throughput per station among its peers, which should create value for Turcas. One should note that our estimates do not cover the probable growth story of the JV.

Partnership with Iberdrola may create new story for the stock. Turcas decided to sign the Shareholders' Agreement with Iberdrola from Spain as of May 18, 2006 to bid for tenders that will be held by the Privatisation Administration for the privatisation of Electricity Distribution Regions. Note that the schedule of the tenders has not announced yet, but the Privatisation Administration intends to start the privatisation of some regions by the end of this year. In addition, our valuation does not include anything from this business yet. In case that Turcas and Iberdrola will win region(s) in the tenders, our recommendation and valuation for Turcas are subject to change. The most positive impact of this move would be the diversification of Turcas' business portfolio from fuel-marketing to other segments of the energy industry.

Dividend yield potential of 8% within a week. Turcas announced to distribute TRY40mn (US$27mn) of cash dividend as of May 30, 2006. This means gross and net dividend per share of TRY0.385 and TRY0.3465, respectively, which should imply dividend yield of 8%.

There are also risks to consider. 1) Expectations regarding the more competitive market environment in the fuel-marketing sector. **2)** Considering Turcas' 30% stake in the JV that will be established with Shell, we believe that if the company does not partly consolidate the figures of the JV, it may be more difficult to have information about the fuel-marketing operations. **3)** We have estimates, but no official clear information regarding the operations and size of the JV between Turcas and Shell. The details are crucial to make healthier comment for Turcas. To have clear view about the company's operations and fair value, we should not only see the new structure of the JV but also the operations and strategy of Turcas after transferring its assets to the JV. We will be able provide a more detailed comment when the details regarding the partnership are announced. **4)** In December 2005, Bank Europa announced to sell TRY1,130,000 of Turcas shares (before the increase in paid-in-capital from TRY26.3mn to TRY105mn through bonus issue in 1Q06) in nominal terms in the ISE in one year. The shares subject to sale are 4.3% of Turcas' paid-in-capital and approximately three times the average daily trading volume of the stock. Since December 2005, there has been no news regarding the sale of these shares. The completion of this sale would be positive for the stock performance. Otherwise, the risk of shares hangover may put pressure on the stock performance.

Potential Upside	
Target Market Cap:	US$ 425 mn
Current Market Cap:	US$ 301 mn
Target Upside	41.4%

Price Data	
Mcap Range (Last 12m)	$130 - $488 mn
Relative Performance	
3mnth:	22.8%
12mnth:	38.7%

Trading Data	
Avg. Daily Volume	US$ 3.88 mn
Weight in ISE100	0.58%
Beta (weekly, 3 years)	0.879
Foreign Ownership	
Current	12% of free float
1mnth ago	12% of free float
3mnth ago	63% of free float

Shareholder Structure	
Free float	30.8%
Aksoy Petrol Dist. Inv.	28.5%
Aksoy Holding	22.6%
Yilmaz Tecmen	5.0%
Others	13.0%

Key Financials (TRY mn)	2004	2005	2006E*	2007E*
Revenues	1,725	1,857	2,193	2,273
EBITDA	54	69	81	84
Net earnings	19	47	62	65
EV/Sales (x)	0.3	0.3	0.2	0.2
EV/EBITDA (x)	8.7	6.8	5.8	5.6
P/E (x)	24.3	9.8	7.5	7.1

*Source: Company Data, Finansinvest estimates. * Note that our forecasts are based on current structure of Turcas. After the formation of the JV those figures may subject to change.*

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